Budget Address

for the fiscal year 2012–2013

The Honourable Graham Steele

Minister of Finance

NOVA SCOTIA

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I am pleased to introduce Budget 2012—a budget built on fiscal discipline. A budget that stays the course while protecting health care and education. A budget that supports the game-changing opportunities that lie in front of us after an historic year for Nova Scotia.

Budget 2012 continues us on a smooth path back to balance next year, in 2013, exactly as we said we would when we laid out our plan in 2010.

This government is sticking to its plan because the plan is working.

Our plan is working for families in need of better care sooner.

Our plan is working to create good jobs and grow the economy.

Our plan puts kids and learning first.

Our plan is working to ensure that this province is able to live within its means.

As I said last year, there are no magic wands, no silver bullets, no quick fixes on the path back to balance.

There is only a good plan, hard work, and sustained discipline. That is what Budget 2012 delivers.

Le budget de 2012 est basé sur la discipline financière. Il s'agit d'un budget qui reste sur la bonne voie tout en protégeant les soins de santé et l'éducation. Il s'agit d'un budget qui appuie les possibilités à l'horizon, qui apporteront de grands changements après une année historique pour la Nouvelle-Écosse.

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Living Within Our Means: Back to Balance

Previous governments put Nova Scotia on an unsustainable path to a $1.4 billion deficit and $16 billion in debt. There was a problem with their mindset, their methodology, and their math. And that's why they left a financial mess behind.

In contrast, our four-year Back to Balance plan was developed in close consultation with Nova Scotians and reflects their values and priorities. Nova Scotians understand the value of living within our means, of passing along a positive legacy to the next generation, and of looking out for one another. That is why we will succeed.

Getting back to balance has not been easy. If it were easy, the previous governments would have done it. Let me give one example.

I am pleased to inform the House that, for the just-finished fiscal year, and for the third year in a row, departmental spending is coming in under budget. That hasn't happened at least since 1967, a year when Lester B. Pearson was Prime Minister, Lyndon Johnson was US President, and the Toronto Maple Leafs won the Stanley Cup. In other words, it hasn't happened for a very long time. Yet it should be the norm. And now, it is.

At budget time last year, we estimated a deficit of $390 million. We're now forecasting a deficit of $261 million. That means we beat the budget by $129 million, almost all on the spending side. Departmental spending is down over $72 million from budget, and lower debt servicing costs account for another $47 million in savings. These are tangible results of our hard work and discipline.

Everyone with a stake in building a sustainable future is doing their part. Every health authority, every school board, every health-care professional, every school teacher, every municipality, every civil servant is doing their part to help get back to balance.

For example, this government ended March Madness, which was so very prevalent under the previous government.

Our government also held the line on departmental expenses, and looked for ways to share services. This year, the province will analyze its overall spending and procurement. We will examine every nickel the province spends in an effort to find even further savings, even greater efficiencies. Nova Scotians expect their government to make smart financial decisions while maintaining the quality of important public services.

We also reformed the Public Service Superannuation Plan, and we did so in a way that was fair to all past and current members and also to taxpayers. As promised in the 2010 Budget, we have been positioning the plan for a transfer to joint trusteeship, and we are now ready to do so. The new governance model will form an important part of this year's Financial Measures Act. Again, this will make the plan more secure for the long term.

The savings resulting from these various initiatives are real, and long term. My thanks and appreciation to those who made this happen.

We have accomplished a great deal. The plan is working, but we still need continued discipline. Any service or program that is funded, either wholly or in part, by the taxpayers of Nova Scotia must be delivered in the most efficient way possible.

Savings through shared services must be part of the solution. Continued duplication of services at public expense is something Nova Scotia cannot afford. Last month, the province, the nine

district health authorities, and the IWK Health Centre announced the merger of several administrative services, including the elimination of up to 20 senior executive positions, providing a savings of $7 million this year, growing to $41.5 million.

The leadership shown by the district health authorities is remarkable. They get it. They understand and will do their part. By focusing every possible dollar on patient care DHAs are demonstrating that we can be both more efficient and more effective.

Let me give another example of streamlining operations. Most other provinces with offices in Ottawa have closed them. I am announcing today that Nova Scotia will do the same, saving more than $500,000 each year.

In last year's fiscal plan, the deficit for 2012–13 was projected to be $216 million. In this budget, the projected deficit is $211 million. In other words, we are almost exactly where we said we would be at this point in our Back to Balance plan.

Balancing the budget is not an end in itself. But it is a necessary step to restoring sense to the province's finances. And sensible finances allow us to get to our real objectives, which are:

First, supporting the jobsHere plan, which will marshal the resources of the government to support learning, innovation, and competitiveness, and by doing so create more good, sustainable jobs.

Second, implementing the Better Care Sooner plan, and strengthening a health-care system that promotes wellness and offers the care that people need, all within a financial envelope that we can afford.

Third, putting kids and learning first.

And fourth, helping people make ends meet, in order to make life better for families, wherever they may live.

Let us now look at each of these in turn.

Creating Good Jobs and Growing the Economy

In the past, poor economic performance relative to the rest of Canada was the norm for Nova Scotia. For 20 years, previous governments led Nova Scotia to the lowest average growth in Canada.

Today, Nova Scotia is heading into an era of prosperity—a time when good jobs are the norm, a time when young people who left the province looking for work can come home and build a life here in Nova Scotia.

A strong economy provides the foundation for the important programs and services Nova Scotians want and need. But opportunity rarely just drops into our laps. It must be pursued, planned for, and seized. Much careful work and planning went into promoting and landing the opportunities that are now before us.

This budget supports those efforts.

In the past few months, this province has turned an important corner: employment is higher now than before the recession hit in 2008.

In fact, right now, there are more people working in Nova Scotia than at any other time in our history. And the economic forecast that is embodied in this budget, and supported by external forecasters, shows our unemployment rate heading even lower over the next few years.

That's where jobsHere comes in.

La Nouvelle-Écosse entame une période sans précédent d'investissements et de possibilités. Nous allons tirer profit des investissements que nous avons faits par l'entremise du plan « des emplois ICI » à l'échelle de la province, et nous allons continuer d'investir judicieusement pour créer un plus grand nombre d'emplois et assurer la croissance de l'économie de la Nouvelle-Écosse.

A year after launching the jobsHere plan, the province has already supported the start-up and growth of hundreds of companies in all parts of Nova Scotia.

Small businesses are at the heart of our communities. Three years ago we were the first government in memory to cut the corporate income tax rate for small businesses. For the third year in a row, we will cut the small business tax rate. The rate will drop from 4.0 per cent to 3.5 per cent, effective January 1, 2013, saving small businesses $10 million a year beginning in the 2013 tax year.

Our three years of tax cuts for small businesses means a savings of up to $6,000 per year per business. This is money that business owners can invest as they see fit.

In this budget, we are also eliminating, on schedule, the large corporation capital tax.

On October 19, 2011, Nova Scotians proved what we knew to be true—that we can beat anyone in a fair competition.

Last week, the Premier and Jim Irving were finally able to tell the story behind Nova Scotia's historic shipbuilding win. It is a story that could not be told during the bidding process for fear of tipping our hand to competitors.

It is a story that began last May with the Premier's commitment of up to $304 million in loans that, as Jim Irving himself said, positioned Irving to win. And it is a story that will continue for the next 30 years as this province reaps 15 to 20 times its investment in provincial tax revenue from the $25 billion contract.

This Premier recognized and seized an opportunity that will change the history of Nova Scotia. That opportunity fit perfectly within the jobsHere plan and the fiscal plan we laid out more than three years ago. Take the world's best shipbuilders, throw the support of an entire province behind them, and Nova Scotians will reap the benefits.

The federal shipbuilding contract, the Lower Churchill hydroelectricity project, the Maritime Link, the dredging of Sydney Harbour and development in the Port of Sydney, and the hundreds of millions of dollars Shell Canada has committed to explore Nova Scotia's offshore—opportunities like these are giving businesses confidence, and helping Nova Scotia get used to the idea that it's okay to finish first.

While some of our longstanding industries are sharpening their focus to grab larger shares of growing markets, others are forced to retrench, refocus, and retrain in order to maintain a competitive position in static or shrinking world markets.

The idling of the NewPage mill in Point Tupper, along with the uncertain future of the Bowater mill in Liverpool, caused us to pause and consider the immense economic resource we have in our forests, and the need to manage them both to meet conservation goals and to maximize their economic value.

Nova Scotia's forestry sector has supported tens of thousands of families since the founding of our province. As world markets change, our government has stood shoulder-to-shoulder with the

communities, businesses, and workers and their families who are focused on retaining Nova Scotia's position in the world market.

Last fall, we estimated that with no Bowater mill, no mill workers, and no suppliers, over five years the resulting economic slowdown could reach 2,200 jobs and $300 million in reduced economic output.

But in true Nova Scotia fashion, industry, community, labour, and government came together. And with provincial support of $26.5 million, Bowater continues to operate, offering good jobs and a steady economy throughout Southwest Nova Scotia.

The idling of the NewPage mill in Port Hawkesbury has been a significant reversal for the economy of the Strait Area, and indeed, for all of northern Nova Scotia. But this government has stood with families and businesses in the region, investing a total of $27.3 million in new funding to protect jobs by supporting the supply chain, and keeping the mill re-sale ready.

We are optimistic about the future of these two mills, which are centrepieces of their regional economies. But make no mistake—a vibrant forest sector is not just about viable, competitive pulp and paper mills.

In year two of the Natural Resources Strategy we will work with all Nova Scotians in the forestry sector—from sawmillers, to foresters and harvesters—to ensure that Nova Scotia's forests can continue to benefit future generations.

Budget 2012 Builds On the Success of jobsHere

In its first year, the province's Productivity Investment Program trained more than 6300 Nova Scotians and helped more than 200 businesses become more productive and competitive through capital funding and workplace training incentives. This year, $25 million will help more businesses make upgrades in machinery, clean technology, software, and hardware.

Through a $1.5 million investment, Nova Scotia will focus on developing its International Commerce Strategy, a strategy that will help businesses compete globally and support entrepreneurs who want to go global.

An additional $450,000 for the Business Development Program, $500,000 to increase the reach of the Productivity and Innovation Voucher program, and $200,000 to develop a Social Enterprise strategy that will support communities and businesses, and enhance their contribution to Nova Scotia's economy.

This year the province will invest $400,000 to introduce a new graduate placement program, encouraging Nova Scotia students to stay in Nova Scotia after graduating by helping them secure good jobs.

The program will provide a 50 per cent wage subsidy for the first three months of employment, up to a maximum of $7,500. The program is expected to support 50 job placements in 2012–13.

The Strategic Co-operative Education Incentive aims to grow the number of work placement opportunities for students in university and community college co-op programs. The incentive provides organizations with 50 per cent of the required minimum hourly wage of $15.00 an hour.

jobsHere is improving resources for employers and entrepreneurs, reducing red tape, and making it easier for Nova Scotia businesses to succeed.

Nova Scotia's economic stability is tied to our ability to compete and respond to changes in the global market. This requires a vibrant, skilled, and adaptable workforce.

Nova Scotia's workforce strategy will build that workforce. The province will invest $8.2 million this year to put that strategy to work. This includes $2.5 million for apprenticeship, increasing the number of Nova Scotians in trades, and another $1 million toward workplace education.

Last fall, I outlined Nova Scotia's Jobs and Building Plan, which is the capital plan for 2012–13. I am pleased to confirm the Jobs and Building Plan as part of this budget. With 150 projects, this $610 million plan for jobs and infrastructure will generate direct employment equal to 4,500 full-time jobs, and spin-off employment for a further 3,100 Nova Scotians.

All parts of Nova Scotia will see this plan in action, in the form of school construction, land purchases, capital grants, and upgrades to hospitals, museums, and highways—$281 million in highway upgrades alone.

The replacement of the Indian Sluice Bridge will get underway soon in Yarmouth County, as will construction on Highway 103, from Broad River to Port Joli. And, this construction season, phase 1 of Highway 104 near Antigonish will open.

Although this amount of capital investment is not quite at the levels it was during the two years of federal-provincial stimulus, it is still a substantial investment in people, jobs, roads, and communities. To offer only a few examples, there will be more than $6 million to make courthouses and justice centres

safer; $1.5 million for renovations at the South Shore Regional Hospital that will reduce overcrowding and improve patient flow; and $79 million to construct, upgrade, and modernize aging schools in communities like Glace Bay, Baddeck, Weymouth, Dartmouth, New Glasgow, and Liverpool.

This year, once again, our government is maintaining funding for the Community Museum Assistance Program, an innovative example of support for museum programming unlike any in Canada, that will protect funding for Nova Scotia's museums.

Finally, under this heading, I would like to mention an exciting development for our agricultural industry.

In Truro–Bible Hill, the province is in the process of finalizing a partnership that will position the Nova Scotia Agricultural College as an enhanced centre of excellence for applied research and a national leader in agriculture education.

The merger between NSAC with Dalhousie will strengthen NSAC, benefit students, improve the economy of Bible Hill and Truro, and help NSAC fulfill its mission as a national and international leader in agriculture research, education, and innovation.

Better Care Sooner

Health, as we all know, is by far the biggest part of the budget. And for years it has also been the fastest growing. But under previous governments, that rapidly rising spending hasn't done nearly enough to promote wellness and make Nova Scotians healthier.

This government has reduced health-care administration costs to below the national average, and has cut the rate of growth of health spending. That is no small feat, especially compared to the records of previous governments.

Nova Scotia needs a health-care system that is well planned and managed. We need a system that is sensitive to the needs and priorities of local communities, and that acknowledges the hard work of our health-care professionals.

The largest portion of the government's investment in health, at 70 per cent of the budget, goes toward paying health-care workers. A sustainable and affordable health budget requires our partners in service delivery, including doctors, nurses, and other health-care professionals and support staff, to work with us in reaching reasonable agreements.

Better Care Sooner is our innovative plan to improve community and emergency health-care services. It is our plan to address the chronic emergency-room closures that became a regular feature of life under previous governments.

Today, Canada's first Collaborative Emergency Centre is providing 24/7 access, with same-day or next-day appointments to see a health-care team.

The province is implementing the nation's first emergency care standards, and up to four more centres will open this year, across the province.

This year, the province will invest an additional $2 million for the staffing and medical oversight of CECs, an approach that will mean fewer and fewer Nova Scotians will wait to see a doctor.

This Premier, and this party, has long fought the battle to make life better for seniors. Nova Scotians want and deserve to stay in their homes as long as possible. This year, the province will invest an additional $20 million in home care, including $6.5 million more for home-care nursing visits in the community.

This government has taken action to ensure better drug prices for Nova Scotians. Our fair drug pricing plan means that Nova Scotians are now paying less at the pharmacy counter. In 2012–13, prices will go down to 35 per cent of brand-name drugs, which is where they will stay. The province is also on track to spend $17 million less on drugs than we would have without these changes.

Mental health services need better support. This budget includes a significant investment—$3.8 million this year—to revamp mental health and addictions services in Nova Scotia, as part of our plan to provide better care sooner.

Keeping Nova Scotians well, and preventing them from becoming unhealthy, is an ongoing priority for this government. In this budget, $2 million in new funding will go toward a plan, to be unveiled this spring, that will help make Nova Scotia a place where children eat well, move more, and grow up healthy.

We will also make investments this year to reduce the time Nova Scotians wait for receive orthopedic surgery.

In the coming weeks, our government will announce details of an ambulance fee initiative, with a particular emphasis on the fees for ambulance journeys involving seniors in long-term care facilities. This is another step in making life more affordable and providing better care sooner.

These investments and measures will enable the province to use our valuable health dollars more efficiently, and will help Nova Scotians get healthy, stay healthy, and receive better care sooner.

Des investissements et des mesures dans le budget de 2012 permettront à la Province d'utiliser les fonds affectés à la santé de façon plus efficace, et aideront les Néo-Écossais à rester en bonne santé et à recevoir de meilleurs soins, plus tôt.

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Putting Kids and Learning First

Education is the second largest piece of the budget. We are dealing with a school system that has 30,000 fewer students than it did 10 years ago.

This education budget will meet the needs of students in our schools today.

The province's new P–12 education plan, Kids and Learning First, will better prepare students for post-secondary education, good jobs, and active citizenship. Our education plan is the first to recognize that we all must do a better job of educating our children. It lays out a plan to do just that in a challenging environment of rapidly declining student enrollment.

Parents want the very best for their children, including an education that's as good as anywhere in the country.

While the school system has strengths to celebrate, provincial assessments are showing no significant improvement in math and reading, and in some cases students are losing ground.

Kids and Learning First is about doing things differently and improving results by focusing on students' needs.

This $6.7 million multi-year plan will introduce a manufacturing trades course linked to shipbuilding. The plan will expand career development support, including more career coaching workshops for parents; the plan will double the number of schools offering skilled trades courses; and the plan will triple the number of students taking courses through virtual schools.

A new grants program will allow more community groups to use schools for physical, cultural, and education activities, and students will soon be able to earn a personal development credit

in the community through organizations such as the Cadets, 4-H, Junior Achievement, and Nova Scotia Dance.

Pour la première fois, ce budget réserve des fonds spécifiques pour le Conseil scolaire acadien provincial en ce qui a trait à son mandat culturel, qui est un mandat unique au CSAP. Ce budget réserve également des fonds pour ce que l'on appelle la « francisation » des jeunes apprenants, dont plusieurs fréquentent les écoles du CSAP sans avoir de bonnes bases en français. Nous sommes fiers d'être le premier gouvernement à reconnaître, par une allocation budgétaire, ce rôle unique et important du CSAP.

Making Life More Affordable

Keeping post-secondary education affordable for Nova Scotians remains a top priority of this government.

From 2004 to 2010, provincial funding for universities increased by 64 per cent, which was not sustainable. A new approach to funding was necessary.

Last year, the province invested $42.5 million to keep tuition below the national average, increase assistance levels and the grant-to-loan ratio, and cap student debt for the first time in Nova Scotia's history. This was the single largest annual investment for students made by any Nova Scotia government.

Government has a responsibility to find a balance that provides adequate funding for universities and a fair tuition for students, while continuing programs and services that benefit our communities and our economy.

With that in mind, the new memorandum of understanding between the province and Nova Scotia's 11 universities aims

at keeping tuition at, or below, the national average, increases research and development opportunities, and invests $25 million—$13 million this year—in a new Innovation Fund for universities to help them become more sustainable.

It's a plan aimed at protecting Nova Scotia students and helping universities remain competitive and sustainable for years to come. I am pleased to announce today that as part of Budget 2012, our government is investing $5.5 million more in student assistance. Details of the investment will be announced in the coming days, but suffice it to say that it will target even further improvements in student assistance, improvements that will demonstrate this government's continued commitment to university and college students.

For the second year in a row, the Income Assistance Personal Allowance is going up. This July, it will increase by $9 per month. This comes on top of last year's $15 increase, the largest boost people on Income Assistance had seen in a decade.

Effective July 1st, families will see an increase of 5 per cent in the Nova Scotia Child Benefit, helping 24,000 families and almost twice as many children.

At the same time, both the Affordable Living Tax Credit and the Poverty Reduction Tax Credit—each of them an initiative of this government—will be increased to help reduce the impact of rising prices on everyday needs.

The province will also invest $863,000 in enhanced employment support services to help more people on income assistance access training and find and keep a job.

Funding to the Independent Living and Alternative Family Support programs is going up by $900,000, helping persons with disabilities to live more independently.

And while I'm talking about affordability, I want to make it clear that this government will not tax home heating or home electricity. The previous government said they wouldn't tax home heat, and then they did. We took the tax off home heat, and we will keep it off.

Making life more affordable means a lot to this government because it means a lot to Nova Scotians. Our plan will help. It already has. Today we can see the brighter future. We are getting there. And when we get there we will have choices. That means ensuring Nova Scotians pay no more in tax than they absolutely have to for the services they receive.

Next year, this province will have a real, sustainable surplus based on reliable revenues and reasonable expenditures.

After that, our balance sheet will improve to the point where we can reduce the Harmonized Sales Tax by one per cent in 2014, and by another one per cent in 2015.

Those reductions are now built into our four-year financial plan.

We are sticking with our plan because it is working. Now Nova Scotians know our plan means HST reductions, when they are affordable.

Making Life Better for Families

As I said earlier, there are more Nova Scotians employed today than at any time in our history. We also know that the combination of growth in our economy along with our aging workforce will lead to significant and long-term labour challenges, beginning as early as two or three years from now.

Immigration will be a necessary component in addressing the impending labour shortages here in the province.

Our immigration strategy is a comprehensive and focused plan to attract and keep innovative, skilled, and professional immigrants. It's based on a solid business case that complements our workforce strategy and jobsHere to meet labour market and skills shortages.

This year, we will invest $1.5 million in our strategy, to help immigrants settle and stay in Nova Scotia.

Earlier this year, the province successfully negotiated an agreement with Ottawa that means the RCMP, which has provided high-quality policing to Nova Scotia communities for almost 80 years, will continue to keep streets safe for the next 20 years. This year's provincial contribution to those costs is $104 million.

As a government, we are working hard to balance cost recovery with affordability and accessibility. I'm pleased to say that Budget 2012 does not include an across-the-board increase of provincial user fees and charges. Fees will be kept at their current level.

This budget will include another HST cut for first-time home buyers.

Furthermore, increases to non-refundable income tax credits will provide $7.5 million in personal income tax reductions for the 2012 tax year.

After the previous government separated provincial income tax from federal income tax, they allowed a number of credits to fall behind. We are pleased, in this budget, to bring three major credits back up to a more appropriate level.

This budget increases the dependent amount to $8,481 to match the basic personal amount. This non-refundable credit is claimed by filers with no spouse or common-law partner and who have children under the age of 18, providing total savings of $1.4

million, or an average benefit of about $100 for about 14,000 tax filers in Nova Scotia.

We will also increase the spouse amount to $8,481 to match the basic personal amount. This non-refundable credit is claimed by filers with a spouse or common-law partner. This increase will provide total savings of $4.6 million, or an average benefit of over $100 to more than 44,000 tax filers in Nova Scotia.

And this year's budget will increase the disability amount to $7,341. This non-refundable credit is claimed by filers who are disabled or who have a dependent with a disability. It will provide an average benefit of $75 for about 20,000 Nova Scotians.

The province remains committed to ensuring that any senior whose income is low enough to receive the Guaranteed Income Supplement will get a refund of their provincial income tax. This initiative—a personal initiative of the Premier's—is putting $7.7 million, or an average of about $450, into the hands of 17,000 seniors.

Conclusion

In a word, this budget is steady.

We are doing what we said we would do. We have a good plan, and it's working.

Bref, ce budget est stable. Nous tenons parole. Nous avons un bon plan, et il est efficace.

We're making the right decisions to bring Nova Scotia back to balance. We're living within our means. And we're seeking out and seizing opportunities that will lead to growth we've never seen before.

The finances of the province are in steady hands with this Premier and this government, and that means important public services like health, education, and support for the poor and disabled are more secure than they have been for a very long time.

And now we can look forward to next year, when we will bring forward, as promised, a balanced budget for Nova Scotia.